

MEMORANDUM

NATIONAL SECURITY COUNCIL

~~TOP SECRET/SENSITIVE~~

November 17, 1970

MEMORANDUM FOR DR. KISSINGER

FROM: Richard T. Kennedy *RTK*  
Arnold Nachmanoff *AN*

SUBJECT: SRG Meeting on Chile, November 18

This will be the first meeting to get our new policy moving. The NSDM which is the basis for the policy is at Tab. A 40-Committee on this subject is scheduled to follow the Senior Review Group meeting.

State has prepared a paper (Tab-State Paper) which outlines where we stand and some proposed actions. It also raises for decision (a) public statement, (b) congressional briefings, (c) a proposed message dealing with continued US military presence and assistance, and (d) a proposed position on continuation of Peace Corps.

We recommend that you ask Mr. Meyer (Chairman of the Ad Hoc Group) to briefly summarize where we are, what has been done and what he proposes.

We recommend that you then proceed through the agenda of the meeting covering the following major topics:

1. Diplomatic Steps
2. Economic Measures
3. Military Steps
4. Peace Corps
5. Public and Congressional Posture

Your talking points which follow proceed in this order. You will want to drive home the following points.

- a. We need a fully fleshed-out action program with all of the policy ramifications considered, and

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- b. All steps must be cleared through the interagency mechanism (cables should be cleared by the White House).

1. Diplomatic Steps

*Chile + the OAS.*

*Strategy*

- a. Approaches to the OAS - The US in a November 13 statement reaffirmed adherence to the OAS Resolution on Cuba sanctions. Chile has reestablished relations with Cuba and is exchanging representation. State proposes to "take careful soundings on prospects for constructive statements within the OAS forum" and is urging Latin American governments to make unilateral public statements along the lines of our own.

*Ambar...*

- Have any specific steps been taken or are they planned? With which governments? What has been the reaction of the Latin American governments?
- Who are we approaching with what kind of statements (State has sent a cable to all Latin American Posts - Tab A)? What do we expect them to say or do in the OAS? What are the prospects for any kind of resolution? Do we want one?
- Specifically what do we propose to say in the OAS? Should we take the lead?

(We need to get specific on these points. We need also to have a clear definition of precisely what we are trying to achieve. Generalized approaches are not likely to produce the kinds of specific results we want.)

- b. Spreading the word about Chile - State is proposing to provide "selected" Latin American Governments information on Chile's links with subversion in other countries and to encourage them to adopt a posture similar to ours.

*Chile?*

- To whom is the information being provided, and what do we expect them to do with it?

- c. Consultations with Key Governments, particularly Argentina and Brazil to coordinate efforts on Chile - State is preparing and instruction for such consultations and the Ad Hoc Working Group plans to meet promptly to consider how to increase efforts to maintain relations with friendly military leaders.

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- What specifically do we plan to tell the Brazilians and Argentines, and what do we expect them to do? When will the instruction be ready?
- What specific steps will the Ad Hoc Group consider to increase ties with the military? Could we have a detailed report in two weeks? (Ask Adm. Moorer for his views.)
- Is the military in Brazil and Argentina, for example, likely to want to--or be able to--influence the Chilean military in any significant way? (You may wish to ask for a detailed report on these diplomatic efforts within two weeks.)

## 2. Economic Steps

- a. IDB lending to Chile - 2 Loans for Chile are awaiting action by the IDB Board of Directors--a total of \$11.6 million for two universities; another \$8.6 million loan for agriculture research an extension may be ready during December. State is exploring procedural possibilities for delay or veto of the loans, and will prepare a recommendation for action. In the interim, the Executive Director will take the position that he is uninstructed and, therefore, effectively block action on the loans. (State Paper Tab B)
  - What steps are we taking to coordinate our tactics with other friendly Latin countries in order to reduce our unilateral visibility?
  - You want to emphasize that no new loans are to be approved; if there is any question about a specific case, it should be brought back to the SRG.
  - What steps are being taken to limit Chile's access to credits from other international financial institutions?
- b. Economic Assistance to Chile - State has issued instructions to withhold new commitments of AID loans, investment guarantees, and Ex-Im Bank loans and guarantees. State is preparing recommendations on how to handle investment guarantee problems when the GOC begins to nationalize US property.
  - What is being done to determine how we can defer or cut off existing commitments if that becomes necessary?

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*Nationalization  
Study*

- What provisions of law are applicable if Chile resumes trade with Cuba, or establishes trade with North Korea (as they recently announced they would)? At what point do these provisions become applicable?
- When can we have State's recommendations on how the U. S. Government should react to the first incidents of Chilean nationalization of U. S. property?

State has briefed the AFL-CIO and the staff of the Council of the Americas and several companies interested in Chile on an off-the-record basis.

- What specifically has been said in the briefings to labor and business leaders? What have we suggested that they do about Chile, if anything?
- What are State's plans for systematically briefing American business on the situation in Chile and our approach? Is the Commerce Department involved?

*What are we doing re post-business-reviewing?*

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### 3. Military Steps

#### a. Military Presence

-- Our small military mission (approximately 17 men) is still in Chile. It offers a means of continued close contact with the Chilean military and we will want to keep it there for this purpose as long as we can. But it is there under the Mutual Defense Assistance Agreement of 1952 and a Military Mission Agreement of 1964. The Chilean Defense Minister has stated that the Government of Chile will study all military agreements and the decision as to whether the US mission remains is a decision for the two governments. The question is whether we should force the issue of a reaffirmation of those agreements by the Allende Government. We may have much to gain by the continued contact with the Chilean military. If we force their hand now, we might cause a break. On the other hand if we push the Chilean military to press for continuance, the chance of success might increase and, if Allende refuses, the discontent of the military might increase. State has a proposed cable at Tab D - State Paper. It would have the military go in and raise the question now. (We recommend you not clear the cable at the meeting.)

-- Do we gain more by pushing this issue ourselves or by waiting for the Allende Government to raise it with us?

-- The Service Chiefs seem to want us to stay. Will we make it more difficult for them to maneuver if we give them what seems to be a demand for an early final decision?

-- Should this be handled by our military with the Chilean military or by Korry with the Minister of Defense or Allende (whatever is done we believe should be done initially at least by the military).

#### b. Military Assistance (Tab E - State Paper)

-- There are twenty M-41 light tanks funded under a Credit Sale in FY 69 which have been overhauled and are ready for shipment to Chile. The Chileans also have expressed interest in purchasing three C-47 aircraft, three C-130s and eleven F-5s on a commercial basis. The C-130s and F-5s would not involve any USG financing but would require decisions on export licenses. If we are

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responsive we would strengthen our hand with the Chilean military, increase Chile's dependence on US spares and replacements, and preempt Communist suppliers with this type of equipment; but we would also strengthen Allende's forces and perhaps confuse some of our Latin American friends and generate pressures for more military assistance from others. If we are unresponsive we would disassociate ourselves from strengthening Allende's forces and avoid the disadvantages of confusing our friends or generating demands for assistance from them; but we would alienate Chile military, reduce our influence with them, and perhaps turn them to Communist sources of supply.

- What should we do about the tanks? How long can we hold up this delivery?
- Will the aircraft sales be possible without credit assistance (allegedly the Chileans will not require new USG financing but they may require some sort of financing assistance from the suppliers -- would we be willing to encourage or permit this?)
- Can we sell the aircraft and not deliver the tanks?
- What will the real effect be on our Latin American friends? Can we explain this to them?
- Can we deal with the question of continued deliveries of these proposed sales without having first resolved where we stand with respect to the military assistance agreements?

#### 4. Peace Corps (Tab F - State Paper)

- We have 17 Peace Corps volunteers who will complete training in the U.S. on December 12 and then are scheduled to go to Chile. There are 92 volunteers now in Chile who will complete their tours between now and the end of 1971. The question is whether we should send the new volunteers either when they are ready in December or at some later time or not send them at all. If we hold off until we get Allende's confirmation of the request for them, which his predecessor gave us, we leave the initiative to Chile. This would put the onus for whatever decision is finally reached on Allende but could result in a growing press campaign with a highly

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emotional content. If we decide now not to send them we would probably face early termination of the entire program and lose the opportunity for continuing contact in Chile; we would be open to the charge that we were taking punitive action and seeking to worsen relations.

-- Is there any real hope that the program will continue?

-- Do we want to keep the Peace Corps in Chile?

-- Will our actions on the 17 new volunteers have any important bearing on the 92 now in Chile?

-- Can we afford to hold off and if so for how long?

#### 5. Public Position

State asked for approval of a statement (which is at Tab C of the State paper) which could be drawn upon to answer questions on Chile. DOD has proposed some alternative language.

-- What is it we want to get across--or avoid--in a public statement?

-- While something undoubtedly will have to be said before long, it is probably desirable to say the least amount necessary.

-- I suggest that we say something along the following lines:

"The new President has taken office in accordance with Chilean constitutional procedures. We have no wish to prejudge the future of our relations with Chile but naturally they will depend on the actions which the Chilean Government may take toward the United States and the inter-American system. We will be watching the situation carefully and by in close consultation with other members of the OAS."

#### 6. Consultations with Congress - State recommends high level briefings of key Congressional leaders on our Chile policy.

-- What do we want to accomplish by Congressional consultations? Who should we talk to? How much can we tell them? Who should do the briefings?

-- We need a well-thought out assessment of the pros and cons of Congressional consultations, and a detailed strategy proposal.

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Chile - Status Report on Implementation of NSDM 93

A. Multilateral

1. OAS and Cuba. The Department of State is urging Latin American governments to make unilateral public statements along the lines of the U.S. statement of November 13, re-affirming adherence to the OAS resolution on Cuba sanctions, and is taking careful soundings on prospects for constructive statements within the OAS forum. Circular telegram sent November 15 is at Tab A.

2. Concern over Chile. The Department of State is preparing to provide to selected Latin American governments overt, and to the extent feasible, covert information on Chile's links with subversion in other countries, to document the reasons for our concern over Chile and to encourage other governments to understand the U.S. posture and to adopt a similar one.

3. Consultation with key governments, particularly Brazil and Argentina, to coordinate efforts on Chile. The Department of State is preparing an instruction to selected posts for such consultation and the Ad Hoc Interagency Working Group on Chile will meet promptly to consider how to increase efforts to establish and maintain close relations with friendly military leaders in the hemisphere.

4. IDB Lending to Chile. The Department of State is exploring with the U.S. Director of IDB and the Department of the Treasury the procedural possibilities for delay or veto of FSO loans to Chile, and will prepare a recommendation for action. See Tab B for discussion.

B. Bilateral

1. Public Position. RECOMMENDATION: that approval be given to the statement at Tab C, to be drawn upon on a contingency basis by senior USG officials in responding to questions

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Downgraded at 12-year intervals;  
not automatically declassified.



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on Chile. The Department of State has meanwhile given (on November 12) an off-the-record briefing on Chile to Mr. George Meany and other leaders of the AFL-CIO, and will give on November 17 in New York similar off-the-record briefings to the staff of the Council for the Americas and to senior officers of Anaconda and other companies interested in Chile.

2. Consultations with the Congress. RECOMMENDATION: that consideration be given to having high level briefings of key Congressional leaders on our Chile policy, to insure understanding of our posture, and with a view to easing present legislative restrictions in economic and military matters of special interest to Latin American governments, with which we will be consulting closely on Chile; e.g., soluble coffee for Brazil, meat for Argentina, and reductions in MAP and FMS availabilities in general. The Department of State will prepare proposals for carrying out the consultations with the Congress.

3. Military Assistance to Chile. RECOMMENDATION: that approval be given to the proposed telegram to Embassy Santiago at Tab D, instructing the Ambassador to begin moves which will have the effect of forcing a decision from the GOC on continued U.S. military presence. Discussion of existing and potential requests by the Chilean military services for the purchase of arms and equipment in the United States is at Tab E. Note that the Chilean desire to buy three C-130's and eleven F-5's would not involve USG decisions on financing. Decision would be required on export licensing and on accommodating any FMS part of the sale (i.e. government furnished equipment such as weapons) within the \$75 million area limitation on FMS and grant materiel articles for Latin America.

4. Economic Assistance to Chile. The Department of State has issued classified instructions to withhold until further notice any new commitments of U.S. bilateral-

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assistance to Chile, including AID loans, AID Investment Guarantees, and Eximbank loans and export guarantees. The Department of State has in preparation recommendations on courses of action on handling Investment Guarantee problems which may arise when the GOC begins to nationalize U.S. property.

5. Peace Corps. RECOMMENDATION: that the 17 PCV's scheduled to go to Chile following completion of training on December 12 be held back until the Allende government has given some authoritative confirmation of the request for them made by the previous government. We would make clear at the working level that we would not be prepared to go ahead without such reaffirmation. See Tab F for discussion.

C. Organizational

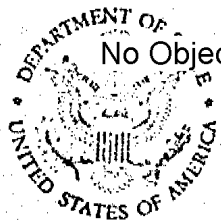
1. The Ad Hoc Interagency Working Group on Chile has been organized and has begun its work under the chairmanship of Assistant Secretary of State for Inter-American Affairs, Charles A. Meyer.

2. The Department of State Country Director for Andean and Pacific Affairs has been permanently assigned full time to Chilean affairs, and has been provided an additional Associate Director exclusively for Chile, and has been designated as the central working-level point of coordination for Chilean matters.

Attachments:

- Tab A - Circular Telegram on OAS and Cuba
- Tab B - IDB Lending to Chile
- Tab C - Proposed Public Statement on Chile
- Tab D - Proposed Telegram to Embassy Santiago on  
Military Relations
- Tab E - Chilean Interest in U.S. Military Equipment
- Tab F - Peace Corps

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SUBJECT: RE-ESTABLISHMENT OF CHILE-CUBA RELATIONS

1. WE ARE SURPRISED THAT CHILE'S ACTION IN RESTORING RELATIONS WITH CUBA IN CONTRAVENTION OAS DECISION HAS TO OUR KNOWLEDGE ELICITED PUBLIC REACTIONS FROM ONLY THREE OAS MEMBER GOVERNMENTS TO DATE: COSTA RICA, COLOMBIA AND U.S.

2. ALL ACTION POSTS ARE REQUESTED TO DELIVER TO FOREIGN MINISTRIES COPIES OF DEPARTMENT SPOKESMAN'S STATEMENT OF NOVEMBER 13, QUOTED PARA 3, STATE 186923, AS FOLLOWS:  
 QUOTE

QUESTION: HAVE YOU ANY COMMENT ON THE ACTION OF CHILEAN GOVERNMENT IN DECIDING TO REESTABLISH RELATIONS WITH CUBA?  
 ANSWER: THIS IS A MATTER THAT CHILE AS A SOVEREIGN NATION CAN, OF COURSE, DECIDE FOR ITSELF. WE DEPLORE THE FACT, HOWEVER, THAT CHILE HAS ACTED OUTSIDE OF THE CONSULTATIVE

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FRAMEWORK DECIDED IN 1964 BY THE MEETING OF FOREIGN MINISTERS FOR COLLECTIVE CONSIDERATION OF THE QUESTION OF CUBA BY OAS MEMBER STATES. THAT MEETING DETERMINED, BECAUSE OF CUBAN INTERVENTION AND AGGRESSION, THAT DIPLOMATIC AND TRADE RELATIONS WITH CUBA WOULD BE SUSPENDED UNTIL THE OAS COUNCIL DETERMINED BY TWO-THIRDS VOTE THAT CUBA NO LONGER POSED A THREAT TO THE PEACE AND SECURITY OF THE HEMISPHERE. THE OAS COUNCIL HAS NOT AS YET MADE THIS DETERMINATION. WE, FOR OUR PART, PLAN TO CONTINUE TO SUPPORT EXISTING OAS DECISIONS AND RECOMMENDATIONS ON CUBA, AND WE HOPE OTHER OAS MEMBERS WILL CONTINUE TO DO LIKEWISE.

UNQUOTE

3. IN INTERESTS PREVENTING FURTHER EROSION OAS CUBA SANCTIONS, POSTA ARE REQUESTED TO DISCREETLY ENCOURAGE RESPECTIVE GOVERNMENTS TO MAKE SIMILAR UNILATERAL STATEMENTS REAFFIRMING ADHERENCE NINTH MFM DECISIONS, INCLUDING POSITION THAT SANCTIONS CAN PROPERLY BE MODIFIED ONLY THROUGH OAS MECHANISM ESTABLISHED BY NINTH MFM-- I.E. BY TWO-THIRDS DECISION OF (PERMANENT) COUNCIL. STATEMENT CONFINED TO A GOVERNMENT'S OWN POSITION WOULD BE ADEQUATE IN CASES WHERE THERE IS RELUCTANCE MAKE DIRECT CRITICISM OF CHILE'S ACTION AS U.S. DID. (FOREGOING ACTION WOULD NOT APPLY OF COURSE WHERE SATISFACTORY STATEMENTS ALREADY MADE, NOR TO MEXICO, PERU, BOLIVIA, TRINIDAD-TOBAGO, JAMAICA, BARBADOS OR GUYANA, WHICH WE ASSUME WOULD NOT BE INTERESTED IN MAKING STATEMENTS).

4. FOR ADDITIONAL BACKGROUND, OBLIGATORY NATURE OF OAS SANCTIONS (MEXICO'S NON-COMPLIANCE AND CHILE'S REVERSAL NOTWITHSTANDING) STEMS FROM FACTS THAT (A) MEASURES ADOPTED BY RESOLUTION I OF NINTH MFM WERE TAKEN IN ACCORDANCE ARTICLES 6 AND 8 OF RIO TREATY AND (B) ARTICLE 20 OF TREATY STATES THAT DECISIONS REQUIRING APPLICATION OF MEASURES UNDER ARTICLE 8 ARE BINDING ON PARTIES TO TREATY EXCEPT NO STATE REQUIRED TO USE ARMED FORCE WITHOUT ITS CONSENT. CHILE ITSELF RECOGNIZED OBLIGATORY NATURE WHEN IN 1964 IT APPLIED SANCTIONS IT HAD VOTED AGAINST. (BARBADOS AND JAMAICA, WHILE OAS MEMBERS, ARE NOT SIGNATORIES RIO TREATY).

5. AS FURTHER ARGUMENT FOR MAINTAINING OAS CUBA SANCTIONS, YOU SHOULD REVIEW U.S. POSITION SET FORTH STATE 23858. IN SUPPORT YOU SHOULD CITE (A) STATEMENT BY CUBAN MINISTER OF

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STATE CARLOS RAFAEL RODRIGUEZ IN SANTIAGO WHO ACCORDING TO NOV. 12 PRESS REPORTS SAID THAT ROAD OF " ARMED STRUGGLE" OR " VIOLENT WAY" CONTINUES TO BE ONLY ONE AVAILABLE IN LA DESPITE EXCEPTIONAL CHILEAN CASE, WHICH COULD NOT BE REPEATED IN ANY OTHER LA COUNTRY; AND (B) CASTRO'S REAFFIRMATION OF HIS COMMITMENT TO SUPPORT REVOLUTION IN HIS SPEECH OF APRIL 22, 1970.

6. SO FAR WE HAVE REPORTS OF FOLLOWING PUBLIC STATEMENTS:

(A) COSTA RICAN FONMIN GONZALO FACIO, WHO CRITICIZED CHILEAN ACTION AS VIOLATING OAS DECISION WHICH STILL IN EFFECT AND AS WEAKENING INTER- AMERICAN SYSTEM; SAID PROPER COURSE FOR CHILE WOULD HAVE BEEN TO CONVOKE OAS MEETING TO REQUEST RECONSIDERATION 1964 RESOLUTION; AND STATED GOCR WOULD MAINTAIN AT ALL TIMES POSITION OF REPUDIATION CASTRO REGIME;

(B) COLOMBIAN FONMIN VAZQUEZ CARRIZOSA WHO SAID COLOMBIA, WHICH HAD PLAYED IMPORTANT ROLE IN OAS DECISIONS EXCLUDING CUBA AND IMPOSING SANCTIONS, DOES NOT WANT TO RESOLVE SITUATION BY SETTING ASIDE MULTILATERAL PROCEDURES OF RIO TREATY OR WITHOUT TAKING INTO ACCOUNT DECISIONS A NEW MEM MIGHT ADOPT; (C) PERUVIAN FONMIN MERCADO WHO ADDRESSED PROBLEM OF CUBA'S EXCLUSION FROM OAS RATHER THAN SANCTIONS, STATING OAS SHOULD REVIEW FORMER TO DETERMINE WHETHER REASONS STILL EXIST. WE WOULD HOPE STATEMENTS ALONG LINES PARA 3 ABOVE WOULD AVOID SPECULATING ON POSSIBLE RECONSIDERATION BY OAS: AS IN CASE VAZQUEZ AND MERCADO STATEMENTS.

7. YOUR CONVERSATIONS MAY ENGENDER RESPONSE OR QUERY RE POSSIBILITY OF ADDRESSING MATTER IN OAS ITSELF. IF ASKED, YOU MAY SAY WE TOO HAVE BEEN WEIGHING PROS AND CONS OF POSSIBLE STATEMENTS IN OAS PERMANENT COUNCIL, BUT SO FAR HAVE NOT REACHED ANY POSITIVE CONCLUSION. WHATEVER THE CONCLUSION, HOWEVER, THIS WOULD IN NO WAY VITIATE DESIRABILITY OF UNILATERAL STATEMENTS. OUR INTEREST OF COURSE IS TO DISCOURAGE FURTHER EROSION, AS WE RECOGNIZE NOTHING PRACTICABLE CAN BE DONE BY OAS TO REVERSE CHILEAN DECISION, ESPECIALLY SINCE NOTHING WAS DONE IN MEXICAN CASE. ARGUMENTS IN FAVOR OF STATEMENTS IN COUNCIL ARE: (A) FOR CHILEAN REVERSAL TO PASS IGNORED IN OAS MIGHT GIVE IMPRESSION OAS HAD LITTLE CONCERN AND MIGHT THUS ENCOURAGE OTHER DEFECTIONS;

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(B) FOREGOING COULD BE EFFECTIVELY COUNTERED BY FIRM STATEMENTS BY MAJORITY OF MEMBERS, PARTICULARLY MORE IMPORTANT ONES. ARGUMENTS AGAINST ARE: (A) THERE IS RISK THAT ONLY A FEW MIGHT SPEAK UP, WHICH WOULD CREATE EVEN WORSE IMPRESSION; (B) TO RAISE IN OAS MIGHT ENCOURAGE THOSE WHO THINK IN TERMS OAS RECONSIDERATION OF SANCTIONS AS WELL AS CUBA'S EXCLUSION, WHICH OF COURSE WE WOULD NOT WISH ENCOURAGE; (C) STATEMENTS IN COUNCIL WOULD PUT CHILE ON SPOT AND MIGHT CREATE ADVERSARY SITUATION WHICH SO FAR AVOIDED.

8. TO DATE, IN VERY PARTIAL SOUNDINGS HERE IN OAS CIRCLES, WE DETECT LITTLE INCLINATION TO RAISE MATTER IN OAS. (FYI. URUGUAYAN FONMIN PEIRANO FACIO HAS HOWEVER SUGGESTED SUCH A COURSE IN PRIVATE CONVERSATION WITH OUR AMBASSADOR AND INTENDS PURSUE MATTER AT MEXICO INAUGURATION. EMBASSY MONTEVIDEO MAY DRAW ON ABOVE IN RESPONDING. END FYI).

9. PLEASE REPORT SOONEST REACTIONS TO APPROACH PER PARA 3 ABOVE AS WELL AS ANY VOLUNTEERED REMARKS THAT MIGHT REVEAL ATTITUDES TOWARD TAKING MATTER UP IN OAS. ROGERS

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## IDB Lending To Chile

DISCUSSION:

There are two loans for Chile awaiting action by the IDB Board of Directors; Austral University--\$4.6 million, and Catholic University--\$7.0 million. There is an additional loan of \$8.6 million for Agricultural Research and Extension being prepared which may be ready for Board action during December. All of these loans are proposed for the Fund for Special Operations which requires an affirmative U.S. vote for approval.

The two university loans were originally scheduled for action before the Allende inauguration, but were postponed by the management (see attached memorandum from Mr. Costanzo).

In subsequent informal discussions with Mr. Herrera and the Bank Director representing Chile, the U.S. Director has expressed the view that the loans should not be pushed until there is an opportunity for the new government to develop its program. He has also indicated to the Bank management that he is without instructions and thus unable to vote and that, he may not receive instructions for some time.

The President of the IDB, and in all likelihood the GOC, are thus aware that the U.S., at least temporarily, is prepared to block these loans. They may not be aware of the firmness of our position and whether we are prepared to approve under pressure after we have exhausted the foot dragging possibilities. (The recent Peru case would lead them to believe that we would approve if pressed.) Therefore the possibility exists that the GOC or the Bank management may press for an early decision in spite of the discouraging signals given by the U.S. Director.

ALTERNATIVES:

We presume that approval is not one of the alternatives to be considered and that the choice is between some form of delay or outright rejection. There are probably means by

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which our determination to prevent these loans could be conveyed so as to keep them from coming to a formal vote thus minimizing the public impact of the veto. On the other hand a formal negative vote in the Board would dramatize U.S. displeasure. Either course would have to be weighed against possible adverse impact on the IDB as an institution.

The Department of State will explore with the U.S. Director and the U.S. Treasury the procedural possibilities for delay or veto of FSO loans to Chile and to prepare a recommendation for action.

Attachment:

Memo from Mr. Costanzo

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The Files

October 27, 1970

Henry J. Costanzo  
U.S. Executive Director

Pending University Loans in Chile.

This memorandum relates certain developments with respect to the two pending loans to universities in Chile subsequent to my conversation with Herrera after the Treasury/State meeting in September.

On October 14, Herrera informed me that he had a letter from Minister Zaldívar committing the Government of Chile to budget the necessary local support for these projects -- this in response to Board concern over problems met in the implementation of earlier loans to universities in Chile. He also said that Mr. Moore, of the Bank staff, had reported upon his return from a recent mission to Chile that both the universities and the current authorities had consulted with representatives of the prospective incoming administration, who had given assurances of their support of these projects. Herrera asked that I give some thought to the situation, and whether or not the U.S. could agree to approve these loans at this time. He suggested that we talk about this matter after his return from Canada (i.e., after October 26).

On October 15, notwithstanding the above, Herrera informed the Board at a formal meeting, that he would circulate to the Board a memorandum including Mr. Moore's report and the letter from Minister Zaldívar, and that, with this, he hoped the Board could proceed with early approval of the two loans.

Faced with this action on the part of Herrera, I consulted privately with my Brazilian colleague, Mr. Barbosa, who in earlier Board discussions of these loans had questioned whether they should be given any further consideration until after a new Government is installed in Chile. Mr. Barbosa said that he continued to feel that it was inappropriate and unwise for the Bank to approve loans to Chile until something were known of the new Government's policies and programs.

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He suggested that prior to any further discussion in the Board, the Directors might informally get together (without the President) for an exchange of views on this issue. It was agreed that I would ascertain informally, through the Secretariat, whether these loans were to be placed on an early agenda by the President, and to get the Directors together when and if such instructions were issued by the President. In response to my consequent inquiry, the Secretary of the Bank told me that he had had no instructions on this matter, and that he would let me know in advance when and if these loans were scheduled for an agenda.

On October 22, at the formal Board meeting, Herrera said to the Board -- without any reference to his earlier statement -- that he felt the two loans should be postponed until after a new Government is installed and there is an opportunity to consult with them. He said that, on this basis, the loan would probably not be ready for further Board consideration until the latter part of November.

In the light of this new position of Herrera's, Mr. Barbosa and I agreed that we would not proceed with the plan to discuss this matter with the other Directors pending further developments.

cc. Assistant Secretaries Petty and Meyer  
Messrs. Hennessy, Weintraub, Finkel, Fisher

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## Statement on Chile

Senior USG officials may on a contingency basis draw upon the following statement in responding to questions on Chile:

President Allende and his government have the honor and the responsibility of having taken office in accordance with Chilean constitutional procedures.

There has been, we know, a great deal of speculation as to what the new government will do, and we are aware of various statements made over the past few years by President Allende and his supporters regarding the United States and the hemisphere. We believe, nevertheless, that future actions are more important than past statements, and we have no wish to prejudge the future of our relations with Chile.

The emergence anywhere in the world of a state hostile to the United States, or which violated the honored principles upon which international amity and cooperation are based, would clearly be a matter of concern to us.\*

Chile has long had justification for pride in its traditional political and intellectual freedoms, and of the very important contributions it has made in the past to the furtherance of an inter-American system based on mutual respect and cooperation among independent nations. We would therefore expect

\*DOD takes position that this paragraph should be replaced by the following: "We would, however, view with grave concern the adoption of policies, alliances or courses of action by the Allende government that transformed a friendly country into a state hostile to the United States or violated or denigrated the honored principles upon which cooperation and peace in the hemisphere are based."

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that the policies which the new government pursues will permit the continuation of the constructive relationships which Chile and the nations of the hemisphere have so long enjoyed.

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Proposed Telegram to Embassy Santiago on Military Relations

Action: Santiago

Limdis

Subject: Military Relations between US and Chile

Ref: Santiago 4864

## JOINT STATE DEFENSE MESSAGE

1. Reftel reported that Mindef in Nov 10 press conference stated that GOC will study all military agreements, and that whether US military mission will remain is determination for both governments to make.
2. This public statement seems to us to offer suitable opportunity for you to send the senior military members of your mission to Chilean military service chiefs to convey following message: (a) we have noted Mindef's statement; (b) we await GOC's decision on reaffirmation of Mutual Defense Assistance Agreement of 1952 and Military Mission Agreement of 1964; (c) we desire to have effective cooperation with Chilean military but our ability to do so depends upon the actions of the GOC, particularly with respect to the two agreements mentioned above; (d) if the agreements are reaffirmed, we will continue Milgrp training and other standard activities, continue deliveries of programmed MAP materiel, and consider applications by Chile for arms purchases in the US on the same basis as such

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applications would have been considered under the previous GOC and in other American Republics.

3. After learning how Chilean military service chiefs react to foregoing message, we will decide whether and in what context you should follow up with Fonmin or President Allende. Unless you were to be called in by GOC specifically to discuss military relations, or are specifically instructed by us to raise subject with GOC, you should avoid discussing it with GOC officials. If it is decided to instruct you to raise it with GOC, we would expect that it would be included among a number of other subjects to avoid giving any erroneous impression of anxiety on our part.

4. Whether conversation contemplated in preceding paragraph initiated by us or by GOC, we would expect it would provide a good opportunity for you to be sure that new government is fully and accurately aware of provisions of US legislation regarding third-country trade with Communist countries, expropriation of US property, etc., outline of which has already been provided to you.

END

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SECRETCHILEAN INTEREST IN U.S. MILITARY EQUIPMENTDISCUSSION:

Twenty M-41 light tanks, funded under FMS credit in FY 1969, have been overhauled and are ready for shipment. We presently have a hold on the delivery of these tanks and they are therefore incurring storage charges.

The local Chilean Military Mission on September 15 informed the USAF of its interest in the purchase of three new or reconditioned C-47 aircraft.

The Chilean Air Force has informed a U.S. aircraft representative in Santiago of its desire to purchase three C-130 aircraft and eleven F-5 aircraft on a commercial basis, and the representative claims that the Chilean Air Force desires our cooperation in effecting the purchase. With regard to the possible purchase of F-5 combat jet aircraft, the USG last May publicly announced that it was prepared to provide this aircraft to several South American countries, including Chile, if so requested. The Chilean Air Force jet combat strength presently consists of seven pre-Korean War F-80C's and 17 British Hawker Hunters of 1959 vintage, along with five armed 1953 vintage British Vampire trainers. Peru and Argentina, which could be expected to react to Chilean acquisition of the supersonic F-5, already have larger and superior combat jet inventories. Argentina reportedly is prepared to purchase 14 supersonic French Mirages of which Peru already has 16 in its inventory.

OPTIONS:

(a) To be responsive to present Chilean military requests and any which may materialize in the near future.

Advantages: (1) this option would strengthen U.S. influence with individual members of the Chilean military services and thus serve to harden resistance to Communist domination of Chile; (2) it would increase Chilean dependence

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on U.S. sources of supply for spares and replacements for vitally important equipment; (3) it would preempt Communist or other suppliers of this kind of equipment from such an association with the Chilean military services; and (4) it would arouse concerns in Peru which would hinder extension by Allende of his influence in that country.

Disadvantages: (1) it would strengthen the military force of the Allende government; (2) it could confuse and dishearten some of our friends in other Latin American countries; (3) it could stimulate an arms race between Chile and its neighbors; and (4) it would result in pressures on the U.S. to assist the neighbors to obtain new military equipment.

(b) To be unresponsive to present Chilean military requests and any which may materialize in the near future.

Advantages: (1) it would disassociate the U.S. from any strengthening of the military force of the Allende government; (2) it would reduce the likelihood of an arms race in South America; (3) it would reduce the likelihood of pressures coming on the U.S. from neighboring countries for assistance in arms acquisition; (4) it would avoid confusing some quarters of opinion in Latin America and elsewhere on our attitude toward the Allende government.

Disadvantages: (1) it could alienate members of the Chilean military and reduce our influence among them, and might discourage their continued independence from Communist Party attempts to dominate the government; (2) it could leave an opportunity for a Communist or other supplier to sell the equipment to Chile, gaining corresponding advantages therefrom; and (3) it could stimulate the Chilean military to seek to end their dependence on U.S. military equipment sources.

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## Peace Corps

SITUATION:

There are currently 17 Peace Corps Volunteers in the United States who, upon completion of their training on December 12, are scheduled to go to Chile. They were recruited for specific locations in Chile (10 in forestry and 7 in fisheries) by a Chilean who came to the U.S. for the purpose. The 92 volunteers presently in Chile are scheduled to complete their tours at various times, none later than the end of 1971.

DISCUSSION:

There are three options:

1. Send the volunteers to Chile without further consideration.
2. Hold off sending them until we receive some authoritative confirmation of the request for them made by the previous Chilean Government.
3. Determine unilaterally not to send them at all.

Option 1 is obviously unacceptable.

Option 2 leaves the initiative to the Chilean Government, and allows us to avoid appearing over-interested in the matter. It contains the danger, however, that we might have to wait a long time before receiving an authoritative expression of opinion, and that such an expression might only be made after the matter had become a public issue surrounded by emotional and inaccurate press comment. This alternative has the advantage, however, of making Allende responsible for whatever happens regarding the Peace Corps in the future. For him to welcome additional volunteers would undercut the potential for anti-Peace Corps attacks in the future, while

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his refusal to let the new ones in would place on him the onus for the further down-turn in relations.

Option 3, on the other hand, would place the onus on us, and could give some aid and comfort to those in Chile seeking to benefit from charging us with responsibility for worsening relations. It could unnecessarily reduce opportunities for us to maintain people-to-people contacts and to preserve some points of lasting influence at the grass roots.

RECOMMENDATION:

That we adopt option 2.

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*John F. Kennedy*

NATIONAL SECURITY COUNCIL

WASHINGTON, D.C. 20506

TOP SECRET/SENSITIVE/EYES ONLY

November 9, 1970

National Security Decision Memorandum 93

TO: Secretary of State  
Secretary of Defense  
Director, Office of Emergency Preparedness  
Director of Central Intelligence

SUBJECT: Policy Towards Chile

Following the discussion at the meeting of the National Security Council on November 6, 1970, the President has decided that the basis for our policy toward Chile will be the concept underlying Option C of the Inter-agency paper submitted November 3, 1970 by the Department of State for the consideration of the National Security Council as outlined in the guidelines set forth below.

The President has decided that (1) the public posture of the United States will be correct but cool, to avoid giving the Allende government a basis on which to rally domestic and international support for consolidation of the regime; but that (2) the United States will seek to maximize pressures on the Allende government to prevent its consolidation and limit its ability to implement policies contrary to U.S. and hemisphere interests.

Specifically, the President has directed that within the context of a publicly cool and correct posture toward Chile:

- vigorous efforts be undertaken to assure that other governments in Latin America understand fully that the U.S. opposes consolidation of a communist state in Chile hostile to the interests of the United States and other hemisphere nations, and to the extent possible encourage them to adopt a similar posture.
- close consultation be established with key governments in Latin America, particularly Brazil and Argentina, to coordinate efforts to oppose Chilean moves which may be contrary to our mutual interests; in pursuit of this objective, efforts should be increased to establish and maintain close relations with friendly military leaders in the hemisphere.

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-- necessary actions be taken to:

- a. exclude, to the extent possible, further financing assistance or guarantees for U.S. private investment in Chile, including those related to the Investment Guarantee Program or the operations of the Export-Import Bank;
- b. determine the extent to which existing guarantees and financing arrangements can be terminated or reduced;
- c. bring maximum feasible influence to bear in international financial institutions to limit credit or other financing assistance to Chile (in this connection, efforts should be made to coordinate with and gain maximum support for this policy from other friendly nations, particularly those in Latin America, with the objective of lessening unilateral U.S. exposure); and
- d. assure that U.S. private business interests having investments or operations in Chile are made aware of the concern with which the U.S. Government views the Government of Chile and the restrictive nature of the policies which the U.S. Government intends to follow.

-- no new bilateral economic aid commitments be undertaken with the Government of Chile (programs of a humanitarian or private social agency character will be considered on a case by case basis); existing commitments will be fulfilled but ways in which, if the U.S. desires to do so, they could be reduced, delayed or terminated should be examined.

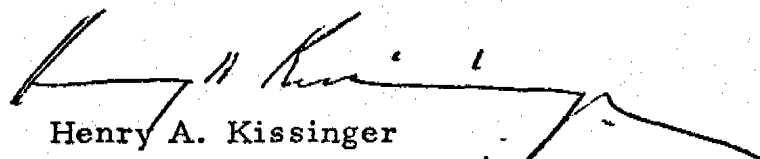
The President has directed that the Director of the Office of Emergency Preparedness prepare a study which sets forth the implications of possible developments in world copper markets, stockpile disposal actions and other factors as they may affect the marketing of Chilean copper and our relationships with Chile.

The President also has directed that the Senior Review Group meet monthly or more frequently as necessary to consider specific policy issues within the framework of this general posture, to report actions which have been taken, and to present to him further specific policy questions which may require his decision. To facilitate this process the President has directed the establishment of an Ad Hoc Interagency Working Group, comprising representatives of the Secretaries of State and Defense, the Director of Central Intelligence, and the President's Assistant for National Security Affairs, and chaired by the representative of the Secretary of State, to

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prepare options for specific courses of action and related action plans for the consideration of the Senior Review Group and to coordinate implementation of approved courses of action.



Henry A. Kissinger

cc: Secretary of the Treasury  
Administrator, A. I. D.  
Director, Office of Management and Budget  
Chairman, Joint Chiefs of Staff

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NATIONAL SECURITY COUNCIL

November 19, 1970

MEMORANDUM TO THE WHITE HOUSE POLICE

The following officials will be attending a meeting in the White House Situation Room at 4:00 p.m. today:

Mr. U. Alexis Johnson, State  
Mr. Charles A. Meyer, State  
Mr. William I. Cargo, State

Mr. David Packard, Defense  
\*Mr. G. Warren Nutter, Defense  
Mr. Armistead I. Selden, Defense  
~~Mr. Raymond G. Leddy, Defense~~  
~~B/Gen. Robert C. McAlister~~

Lt. Gen. Robert E. Cushman, CIA  
Mr. William Broe, CIA  
Mr. Thomas Karamezianes, CIA

Adm. Thomas H. Moorer, JCS  
B/Gen. Joseph Belser, JCS  
Maj. Michael D. Salmon, JCS (aide; will not be attending meeting)

Chris Stickell